

Congress of the United States

House of Representatives

Washington, DC 20515

June 17, 2005

The Honorable George W. Bush
The President
The White House
Washington, D.C. 20504

Dear Mr. President:

We are growing concerned about China's ongoing and proposed acquisition of energy assets around the world, including assets of U.S.-based companies. We are specifically concerned that the government-owned Chinese National Overseas Oil Company (CNOOC) is reportedly seeking to purchase an American oil company. Such an acquisition raises many concerns about U.S. jobs, energy production and energy security.

Over the past two years, China has emerged as the second largest consumer of energy in the world, right behind the United States. With limited domestic resources, China is embarking upon an ambitious and aggressive program to secure the energy that it needs to satisfy its strong economic growth and the needs of its population. This is understandable, as there are direct relationships between the growing use of energy and its resultant increases in economic output, gross domestic product and ultimately, the quality of life of a nation's citizens.

However, we fear that American companies will find it increasingly difficult to compete against China's state-owned and/or controlled energy companies, given their mandates to supply China's ever growing demand for energy which will increasingly need to come from foreign sources. A government-owned company like CNOOC has access to the Treasury of the Chinese government, something no company operating in the free market has.

As the world energy landscape shifts, we believe that it is critical to understand the implications for American interests and most especially, the threat posed by China's governmental pursuit of world energy resources. The United States increasingly needs to view meeting its energy requirements within the context of our foreign policy, national security and economic security agenda. This is especially the case with China.

We request that you immediately initiate a thorough National Economic Council/National Security Council review of China's growing energy requirements and the implications for America's political, strategic and economic interests. Should CNOOC make an offer to acquire an American energy company, we strongly encourage you to thoroughly review that transaction under authority vested in you under amendments to the Defense Production Act, which would involve convening the Committee on Foreign Investment in the United States chaired by the

Secretary of Treasury (CFIUS). We suggest the review include, but not be limited to, four particular issues:

- ☐ First, the United States needs a full assessment of the types of investments China is making in international energy assets, including the assets of U.S.-based companies; an assessment of whether these investments are market-based and free of subsidies; an assessment of the technology transfer implications of these investments; and how these investments relate to the advancement of China's international agenda.
- ☐ Second, the United States needs to understand the nature of the Chinese energy sector and its relationship with the Chinese government.
- ☐ Third, the United States needs to examine how to create a more level playing field in the energy sector so that global energy supplies can be fully developed and flow to world markets on competitive terms.
- ☐ Finally, the U.S. Government needs to examine how to work with China to ensure that both countries are pursuing energy interests in a manner that avoids conflict and confrontation and engenders cooperation.

Mr. President, we respectfully ask that you report the results of this review back to the Congress within 90 days so that we can immediately begin working together to preserve and enhance the American way of life that depends upon continued access to stable, predictable and affordable energy supplies. Thank you for your consideration of this request.

Sincerely,



RICHARD W. POMBO
Chairman
Committee on Resources



DUNCAN HUNTER
Chairman
Committee on Armed Services

CC: Secretary of Treasury Snow
Secretary of Energy Bodman
Secretary of State Rice
Secretary of Commerce Gutierrez
Alan Hubbard, Director, National Economic Council
Stephen Hadley, Assistant to the President for National Security Affairs